

Notice:

This document does not currently comply with Section 508 of the Rehabilitation Act of 1973, as amended, 29 U.S.C. § 794d. The OIG is working to become fully compliant with the provisions of Section 508. If you need assistance with accessing the file, please contact the OIG's Office of Audit at (202) 927-5400, or webmaster@oig.treas.gov for an accessible edition of the report.

**FINANCIAL MANAGEMENT:
Review of Assertions Included in the
Interagency Crime and Drug Enforcement's
Fiscal Year 2002
Annual Accounting of Drug Control Funds**

OIG-03-050

January 24, 2003



Office of Inspector General

The Department of the Treasury

Contents

Report of the Office of Inspector General	2
--------------------------------------------------------	----------

Appendices

Appendix 1: Major Contributors To This Report	4
Appendix 2: Report Distribution.....	5

Interagency Crime and Drug Enforcement's FY 2002 Annual Accounting of Drug Control Funds

Abbreviations

ICDE	Interagency Crime and Drug Enforcement
OIG	Office of Inspector General
ONDCP	Office of National Drug Control Policy
U.S.C.	United States Code



Report of the Office of Inspector General

The Department of the Treasury
Office of Inspector General

Teresa Mullet Ressel
Acting Assistant Secretary for Management and CFO
Department of the Treasury

We have reviewed management's assertions included in Section b of the accompanying Interagency Crime and Drug Enforcement's (ICDE) Fiscal Year (FY) 2002 Annual Accounting of Drug Control Funds (Submission).

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

The Submission, including the assertions made, was prepared pursuant to 21 U.S.C. §1704(d) and Office of National Drug Control Policy (ONDCP) Circular: *"Drug Control Accounting"* (Circular), and is the responsibility of ICDE's management.

Based on our review, nothing came to our attention that caused us to believe that management's assertions included in Section b of the accompanying Submission are not fairly stated, in all material respects, based on the criteria set forth in the Circular.

This report is intended solely for the information and use of the management of ICDE, the Department of the Treasury, the ONDCP, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Our report has been reviewed by your staff. Based on mutual agreement, we are issuing this report as final. Should you or your staff have any questions, you may contact me at (202) 927-5430 or a member of your staff may contact Mike Fitzgerald, Director, Financial Audits, at (202) 927-5789. We appreciate the cooperation and the courtesies extended to our staff.

/s/

William H. Pugh

Deputy Assistant Inspector General for Financial Management and
Information Technology Audits

January 21, 2003

Financial Audits Division

Mike Fitzgerald, Director
Adé Bankole, Audit Manager
Ken Harness, Auditor
Nakita Parker, Auditor

The Department of the Treasury

Deputy Chief Financial Officer
Office of Undersecretary for Enforcement
Office of Financial Management
Office of Accounting and Internal Control

Office of Management and Budget

OIG Budget Examiner



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

December 20, 2002

**MEMORANDUM FOR DIRECTOR FITZGERALD
OFFICE OF INSPECTOR GENERAL**

FROM:

Anna Dixon 
Director, Finance and Administration
(Enforcement)

SUBJECT:

Revised FY 2002 Annual Reporting of Drug
Control Funds

Attached is a revised consolidated reporting by Departmental Offices, regarding the Interagency Crime Drug Enforcement (ICDE) accounting submission for National Drug Control Program activities. This report was prepared in accordance with the Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated May 30, 2002.

Please assign an auditor to conduct an attestation review, consistent with the Statement for Standards of Attestation Engagements, promulgated by the American Institute of Certified Public Accountants. If you have any additional questions relating to this matter please do not hesitate to contact me at (202) 622-0370 or you may contact Michael Faiella, OCDETF Advisor, at (202) 622-1277.

Thank you for your assistance in this matter.

cc: Joseph McAndrew, AIC

**DEPARTMENT OF THE TREASURY
DEPARTMENTAL OFFICES
INTERAGENCY CRIME AND DRUG ENFORCEMENT
ANNUAL ACCOUNTING OF DRUG CONTROL FUNDS
FY 2002**

In accordance with Office of National Drug Control Policy (ONDCP) Circular on Drug Control Accounting, dated May 30, 2002, the information requested in Section 6a, (items 1-5) and Section 6b (items 1 -5) are provided as follows:

DETAILED ACCOUNTING SUBMISSION

a. Table of FY 2002 Drug Control Obligations

(In \$000's)

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>USCS</u>	<u>Total</u>
Drug Resources by Function					
Investigations	\$ 492	\$ 11,128	\$ 65,675	\$ 30,281	\$ 107,576
Drug Resources by Decision Unit					
DO	\$ 492				\$ 492
ATF		\$ 11,128			11,128
IRS-CI			\$ 65,675		65,675
USCS				\$ 30,281	30,281
Totals	<u>\$ 492</u>	<u>\$ 11,128</u>	<u>\$ 65,675</u>	<u>\$ 30,281</u>	<u>\$ 107,576</u>

(1.) Drug Methodology

Management of Interagency Crime and Drug Enforcement (ICDE) obligates drug control resources through reimbursable agreements ICDE has entered into with ATF, Customs, and IRS-CI. ICDE's drug control obligations also include obligations related to salaries and expenses of two Organized Crime Drug Enforcement Task Force positions within the Departmental Offices. The methodologies the bureaus use to request reimbursements are described below.

DO

In 1998, fiscal responsibility for the ICDE was divided between the Department of Treasury and the Department of Justice, giving the Treasury bureaus a degree of autonomy in the program. Since receiving independence for the ICDE program, the Department of Treasury has recognized that the future success of the program is directly related to its ability to service the needs of the Treasury enforcement bureaus. To this end, the Department of the Treasury, Office of Enforcement created two

Organized Crime Drug Enforcement Task Force (OCDETF) Advisor positions. Special agents from the Treasury enforcement bureaus subsequently filled the two positions.

The drug control obligations incurred for DO relate to salaries, travel and miscellaneous expenses incurred by two full-time OCDETF Advisors, and expenses incurred for the National OCDETF Conference and a financial training seminar.

ATF

The Bureau of Alcohol, Tobacco and Firearm's (ATF) estimate of drug-related obligations (for ICDE only) is developed based on data from the Bureau's Financial Resources Desktop (FreD) utilizing elements such as gross obligations and project codes. All funding spent using the unique project code for ICDE has a drug nexus. 100% of the resources identified in a query of FreD under this project code are reflected in this report.

IRS-CI

Information obtained from the Internal Revenue Service's Criminal Investigation Management Information System (CIMIS) for FY 2002, disclosed that IRS-CI dedicated 12.8 percent of its Direct Investigative Time (DIT) to the investigation and prosecution of ICDE related investigations. This resulted in 514 full time equivalents (FTE) and \$69.454 million dedicated to the ICDE Program. During FY 2002, IRS-CI expended more resources on ICDE investigations than actual reimbursement (468 FTE and \$65.675 million) received.

The programs in IRS-CI that are reported as ICDE related programs are Organized Crime Drug Enforcement Task Forces (OCDETF) and High Intensity Drug Traffic Areas (HIDTA)/OCDETF. The percent of DIT for each of these areas is obtained from CIMIS. These percentages are applied to the total realized full time equivalents (FTE) for CI for the year ending 9/30/02 to compute the total ICDE related FTE. The total CI realized FTE are obtained from the year-end Report of Plan Execution (ROPE), less the Earned Income Tax Credit (EITC) appropriation. The total resources attributable to the FTE expended on ICDE programs are computed by multiplying the ICDE related FTE by the costs that apply to a single FTE. The costs per FTE are computed by dividing the total dollars realized for Criminal Investigation as shown in the year-end ROPE (less the Earned Income Tax Credit appropriation), and dividing the resulting amount by the total realized FTE. For example, 514 FTE multiplied by \$135,124 per FTE in FY 2002 equals \$69.454 million.

USCS

Customs ICDE costs are derived from the actual number of case hours worked by Agents and Intelligence Analysts as reported in the Case Management System. The total full-time equivalents captured in the Case Management System are multiplied by a cost model (based on average costs) to arrive at total cost.

(2.) Methodology Modifications

None

(3.) Material Weaknesses or Other Findings

None

(4.) Reprogramming or Transfers

ICDE made two transfers during FY 2002. Modifications were made to the original reimbursement agreements. A summarization of the total transfers made are as follows:

(In \$000's)

	<u>DO</u>	<u>ATF</u>	<u>IRS-CI</u>	<u>USCS</u>	<u>Total</u>
Orig. Agmt	\$ 672	\$ 11,128	\$ 65,585	\$ 30,191	\$ 107,576
Mod. #1	(180)		90	90	
Total	<u>\$ 492</u>	<u>\$ 11,128</u>	<u>\$ 65,675</u>	<u>\$ 30,281</u>	<u>\$ 107,576</u>

(5.) Other Disclosures

None

b. Assertions

(1.) Obligation by Budget Decision Unit Methodology

The obligations reported by budget decision unit are the actual obligations from the bureau's accounting system of record for these budget decision units.

(2.) Drug Methodology

The management of ICDE asserts that the methodology used to calculate obligations of FY 2002 budgetary resources by function and decision unit is reasonable and accurate.

(3.) Application of Drug Methodology

The drug methodology disclosed in section a above was the actual methodology used to generate the Table of FY 2002 Drug Control Obligations.

(4.) Reprogrammings or Transfers

The data presented are associated with obligations against a financial plan that properly reflects all revisions.

(5.) Fund Control Notices

The data presented are associated with obligations against a financial plan that fully complied with all Fund Control Notices issued by the Director under 21 U.S.C. Section 1703 (F) and Section 7 of the ONDCP Circular, Budget Execution, dated May 30, 2002.